

May 23, 2008

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the May 23, 2008 meeting were distributed to Commission members, intervenors and other interested parties April 18, 2008 and sent to the Secretary of State's Office for posting on April 18, 2008.

Commission Present: Chair, Michael Wiers, Richard Cook, Colon Durrell and Tim Drake, *ex-officio*.

Commission Absent: John Joseph Jr.

Department Officials: None

Staff Present: Audrey Shorty, Resource Administrator and Carol Gauthier, Office Associate.

Legal Counsel: Amy Mills, Assistant Attorney General.

Intervenors Present: John Blake, H.P. Hood, Inc., Tom Brigham Oakhurst Dairy John Economy Garelick Farms of Maine and Julie-Marie Bickford Executive Director, Maine Dairy Industry Association (MDIA).

Others Present: Dale Cole and Fred Hardy from MDIA; Chuck Farrand dairy farmer; George Criner PhD, Amy Cook and Ben Urquhart from the University of Maine; Chris Hatch and Mark Wood from the Calais Wal-Mart; Cheryl Beyler from the Maine Dairy and Nutrition Council and Ruby Hardy, public attendee.

Public Hearing on Chapter 29 Dealer Margins called to order at 1:30 p.m. by chair Michael Wiers.

Chairman Wiers asked George Criner to comment on the University's findings that were provided.

Dr. Criner reviewed the March 2008 update that provided the basis for the hearing, presented the latest updates for May fuel and resin prices and provided a handout that adjusted the May updates by including the most recent cost information from Maine processors.

Dr. Criner introduced Amy Cook and Ben Urquhart and explained that they would be assisting with some of the Commission's work.

Chairman Wiers asked for other testimony and receiving none, closed the hearing. He went on to explain that there was a 10 day written comment period that ended on June 3, 2008 and said that any updates to the dealer margins could not be effective before being adopted by a vote of the Commission.

The Commission set June 6, 2008 at 1:30 pm as the date that they would meet to discuss testimony and consider adopting new dealer margins.

Chairman Wiers called the regular meeting of the Commission to order at 1.45 pm.

Agenda Item 1: Minutes: Tim Drake made a motion to accept the minutes of the April 18 meeting Richard Cook seconded. Motion passed 3-0.

Agenda Item 2: Amy Mills, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: Chairman Wiers referred to the schedule provided that included a prevailing premium of \$1.10/cwt on Class I for June 2008 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.75/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect. Federal Order One Class I price for June is \$21.43. He explained that a schedule was prepared using this information plus a producer cost of production adjustment (COPA) of \$1.35/cwt. where it was for May prices. He stated that this price schedule was for discussion purposes and that the Commission should make their pricing determination after hearing testimony. He also referred to a handout that explained changes to the Milk Income Loss Contract (MILC) that are a part of the Farm Bill under consideration by Congress.

Julie-Marie Bickford told the Commission that Congress had passed the Farm Bill and that it had been vetoed by the President. She went on to explain that Congress was in the process of voting an over-ride to the veto and she expected them to be successful.

Julie-Marie Bickford provided the Commission with handouts about increasing producer costs and gave an over-view of supermarket prices in her area of the state. She referred to the supermarket price survey that was included in the Commission's meeting information packets.

Dale Cole echoed Ms. Bickford comments about supermarket prices and asked that the Commission increase the producer margin to help producers with their increasing costs.

Julie-Marie Bickford asked what the break points were in the pricing schedule where the minimum gallon price moved one cent. Audrey Shorty explained that this movement happened at \$1.37 and \$1.49/cwt.

John Blake pointed out that the increase in the Class I price for June would push up the price by 13 cents per gallon and urged the Commission to consider this.

Colon Durrell made a motion to set the cost of production adjustment at \$1.35/cwt. and adopt schedule #06-08 that included a \$21.43/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.70/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$25.53/cwt. Tim Drake seconded.

Fred Hardy told the Commission that producers are always finding themselves on the low side of pricing decisions.

Dale Cole said that producer costs are up and asked the Commission to consider making the cost of production \$1.49/cwt.

John Blake said he was nervous about using break points to set minimum prices.

Tom Brigham said that he would support an increase in the cost of production adjustment up to \$1.50/cwt. He explained that he believed that the current tier levels in the dairy support program were low and that the cost of production study when finished would show that producer costs would be higher. He stated that he was reluctant to support an adjustment as high as \$1.50/cwt. and said that it should only be used for the short term. He said he believed that the \$1.50/cwt. range was high enough

to make it economically feasible for out of state processors to truck milk into Maine to take advantage of Maine's minimum pricing structure. He went on to say that the cost of production adjustment was a windfall for out of state processors who unlike Maine processors do not have to pay into the Maine milk pool based on it.

Fred Hardy said that he has heard the out of state threat many times and has not seen it happen. He said the same worries were voiced when the Northeast Dairy Compact was in force and he said he did not see any impact on states that bordered the compact area.

Chairman Wiers said that he did not like breakpoints as controlling factors in the pricing schedule. He stated that he believed that it was appropriate to look at them but something more than those points should be used to get to the producer cost of production adjustment amount.

John Economy said that he agreed. He also said that he was concerned about how increased cost of production adjustments encouraged out of state dealers to take advantage of Maine's milk pricing structure.

Richard Cook said that he believed the Commission needed to take into consideration the impact of out of state prices when setting minimum prices in Maine.

Motion defeated 0-3.

Colon Durrell made a motion to set the cost of production at \$1.49/cwt. and adopt the rest of the schedule as previously stated. Richard Cook seconded.

Motion passed 3-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for May 2008 which included prices for Augusta and Bangor and reviewed the IAMCA price survey for March and April.

Agenda Item 5: Next Scheduled Meetings:

- June 6, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- June 20, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- July 18, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- August 22, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- September 19, 2008 Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- October 17, 2008 Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed the latest budget summary.
2. **Cost of Production Study:** Amy Cook introduced herself and explained that she was working with Lisa Bragg. She said that just over 150 surveys have been returned thus far, amounting to about 37%. She said that she was entering the data. Ben Urquhart introduced himself and provided some of his background. He said he would be working on the study as well.
3. **Milk Promotions:** The Commission received copies of milk promotions proposed by Welch's and Kellogg's. Julie-Marie Bickford handed out a coupon that offered \$1.00 off the purchase of "Muscle Milk" that is sold in GNC stores.
4. **Dealer Cost and Accounting System:** No action taken.
5. **Chapter 2 Hearing Procedure:** Amy Mills reported that she had reviewed Chapter 2 and sent a draft to Stan Millay for his comment. She said much of this rule was covered by other statutes and could be re-written.
6. **Calais IGA and Calais Wal-Mart Price Violations:** The Commission reviewed minimum milk price violations by Calais IGA and Calais Wal-Mart. Chris Hatch and Mark Wood were present representing Calais Wal-Mart. Mr. Hatch explained that a store employee had received the May prices that were effective May 4th but changed them May 1st thus causing the violation. Mr. Hatch reported that he had taken steps to ensure this type of problem will not reoccur and said he had sent a letter to the Commission outlining this process. Chairman Wiers thanked Mr. Hatch and Mr. Wood for attending and providing the information. Amy Mills said she would follow-up with Stan Millay and get back to the Commission at the next meeting on this.

Amy Mills explained that the Calais IGA violation was their second since 2004 and said that in the past some second violations have resulted in a consent agreement. She said she believed such an agreement was appropriate in this case and would draft something for the Commission to review.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 3:05 p.m. (80 minutes).

Stanley Millay, Executive Director, Maine, Milk Commission.